
American Sentinel Insurance Company

NAIC # 17965

Response to CDI Bulletin 2020-3

Background

American Sentinel Insurance Company (“AMS” or “Sentinel” below) is domiciled in the Commonwealth of Pennsylvania, and while broadly licensed, presently writes only commercial automobile policies, specifically general liability, auto liability, auto physical damage and cargo (inland marine) in California.

Our focus within the broad commercial auto segment is on owner-operator truck drivers. Our average account is 1.6 power units, and we do not write any accounts over 20 units. We truly serve the smallest of small business entrepreneurs. Our policyholders are short- to long-haul drivers who predominately haul dry goods (i.e. groceries) and produce. We do not write auto haulers, gas tankers, sand and gravel or “final mile” trucks, we do write “reefers” hauling cold goods, but do not write cargo such as hanging meats or electronics. The majority of our policyholders were considered “essential” workers under various state mandates where the policies were underwritten and in markets where they are delivering loads.

Covid-19 Impact on Trucking

During the near-national quarantine period that led to shelter-in-place orders in most states, specifically during the months of March, April and May, shipping goods between and among points in the United States, particularly dry goods, produce and other grocery-type items was considered essential, and indeed was critical to the continued well-being and social order of communities across the U.S.

The importance of truck drivers’ role in maintaining the adequate supply of food and other essential goods throughout the country was underscored by the Federal Motor Carrier Safety Administration (FMCSA) decision to provide temporary exemptions from hours of service (HOS) limitations for a broad segment of truck cargo, originally issued March 13 and extended several times through June 14.

Based upon our own experience with the class of insureds we serve and anecdotal evidence gathered through media reports and industry conversations, owner-operator truckers hauling dry goods, produce and groceries were in fact able to secure more loads and drive more miles (with HOS limits temporarily suspended) on roads not suffering from the normal congestion that they faced in delivering goods.

AMS Protocol for Addressing Policyholder Needs

In preparation for potential changes needed by policyholders, and in compliance with Commissioner Lara’s Bulletin 2020-3 regarding the evaluation of rebates, credits or reclassification of risks based on lower risk profiles. It was and remains Sentinel’s aim to be responsive in provision of such relief based upon hardship due to the economic disruption caused by shelter-in-place orders.

AMS and our sole production agency established a series of protocols to respond to policyholder needs, which sought to be flexible in providing flexibility across a range of situations. To that end, we communicated the following options to help policyholders in need:

- **Cancellation.** If a driver was unable to acquire loads or was impacted by the closure of a primary customer, cancellation provides the most economic relief and return of funds to the customer. We have been clear in explaining to insureds that if they choose this option, we will reinstate their policy without making them “get in line” again or underwriting the account like a new account. If the policyholder has renewal credits due their account, such credit will be applied upon reinstatement.
- **Extension of Payment Periods.** Sentinel has in the instance of a small number of insureds responded to requests for extension of payment terms or grace periods by working with the insured to accommodate such requests.
- **Waiving Reinstatement/Late Fees.** We have waived reinstatement fees for anyone who needs to cancel and then reinstate their policies per the above. We have also waived late fees.
- **Addition/Deletion of Coverages.** We reiterated to insureds that adjustment of coverages was an option. For instance, a driver could choose to delete auto physical damage and cargo coverages and maintain only auto liability and receive a pro rated refund based upon their cancellation date.

Upon reinstatement/renewal we clearly explain that any changes to the risk profile of the insured, including deterioration of driving record, losses, change in classification and any filed rate changes will still all be incorporated into the evaluation, underwriting and calculation of premium on the account when reinstated, along with any applicable renewal credits.

AMS Experience in March, April & May 2020

Due to a combination of factors including the essential nature of the truck drivers’ roles in delivering vitally needed supplies to markets across the U.S., the FMCSA decision to lift hours of service restrictions and the extremely low fuel prices, American Sentinel actually witnessed more policyholders and prospective insureds seeking coverage for additional power units, additional loads or new coverage than at any time previously. Submissions in March, April and May set records for monthly activity. Our risk exposure was very clearly unchanged over the course of this 90-day period, and in fact was up slightly due to miles driven by our insureds.

Notwithstanding options outlined in the prior section on mitigating policyholder concerns and addressing financial hardships, there were a handful of inquiries either directly from policyholders or most frequently from their agents simply seeking to understand options. Cancellations were relatively unchanged throughout the 90-day crisis period. New business bound by underwriters actually outpaced renewal business.

As intimated above, it was very clear that our policyholder base was more concerned about getting to work and capitalizing on the economic opportunities available to them as HOS were lifted, fuel prices remained low and essential goods in high demand countrywide.

Additionally, our internal metrics indicate:

- Total policy count increased over the crisis period;
 - 1,546 at March 1
 - 1,566 at April 1
 - 1,611 at May 1
- Total unit counts have increased over the crisis period by 5.23%, meaning more accounts added additional units to their policies.

To summarize, we are seeing little-to-no effect in the commercial auto book we underwrite. Our insureds appreciate the flexibility – but they are primarily concerned with obtaining appropriate coverage *so that they can work*.

It is of note that we continue to take a case-by-case stance as relates to helping accounts being impacted by Covid-19. Where we can accommodate, we have extended some payment periods and worked with individual insureds that need the help. We continue to do everything we can to serve our policyholders and enable them to continue their essential role in keeping markets supplied across the country.

Proprietary and Confidential

All information contained herein is considered property of American Sentinel Insurance Company and its assigns, and is confidential. This update is provided exclusively to state regulatory agencies for the purposes of compliance with certain bulletins related to economic disruption during the Covid-19 crisis.

